

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 CAB-02 CIAE-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 XMB-02 L-02 SS-15 NSC-05

H-02 /064 W

----- 011380

R 150315Z APR 75

FM AMEMBASSY KABUL
TO SECSTATE WASHDC 2155
INFO AMEMBASSY BEIRUT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TEHRAN
FAA/BRUSSELS
USDOC WASHDC

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DEPT PASS EXIMBANK FOR YOUNG AND BEDE; BEIRUT FOR RCAA;
USDOC FOR HALE AND COHEN

E.O. 11652: NA
TAGS: EAIR, AF

SUBJECT: CIVAIR: ARIANA AFGHAN AIRLINES STATUS AND LINES
OF DEVELOPMENT

1. SUMMARY. RCAA AND EMBASSY ECON/COMMERCIAL OFFICERS CALLED
ON KEY ARIANA OFFICIALS APRIL 12 AND 13 TO ASCERTAIN AIRLINE'S
PRESENT STATUS, WITH PARTICULAR EMPHASIS ON RE-EQUIPMENT.
THESE OFFICIALS INCLUDED SULTAN GHAZI, CHAIRMAN OF ARIANA AND
ALSO OF AFGHAN AIR AUTHORITY; CHARLES BENNETT, EXECUTIVE VICE
PRESIDENT AND GENERAL MANAGER; AZIZ MALIKYAR, OPERATIONS
DIRECTOR, AND J N DATT, WIDE-BODIED ACQUISITION COORDINATOR.
ALTHOUGH INDICATIONS FROM AIRLINE HAVE BEEN THAT WIDE-BODIED
DECISION INVOLVING ONE AIRCRAFT IN CATEGORY 747SP OR DC 10-30
IMMINENT, CHAIRMAN GHAZI GREATLY WORRIED ABOUT IMPACT EXPENSIVE

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NEW AIRCRAFT ON AIRLINE'S CASH FLOW AND VIABILITY DURING FIRST
CRITICAL THREE YEARS OF EXPERIENCE AND MAY PREFER USED

707-320C. END SUMMARY.

2. IN MEETING APRIL 13, SULTAN GHAZI INDICATED GRAVE MISGIVINGS ABOUT AIRLINE ACQUIRING EXPENSIVE WIDE-BODIED AIRCRAFT, VALUED AT APPROXIMATELY 40 MILLION DOLLARS INCLUDING SPARES, TRAINING AND GROUND SUPPORT EQUIPMENT, BEFORE AIRLINE COULDNT ON ACHIEVING VIABLE WIDE-BODIED LOAD FACTORS. GHAZI INDICATED HIS ESTIMATE THAT DURING FIRST THREE YEARS WIDE-BODIED OPERATIONS, ARIANA WOULD SUFFER SIGNIFICANT LOSSES (ESTIMATED BY ARIANA OFFICIALS AT \$12 MILLION), WHICH COULD INJURE AIRLINE'S FINANCIAL STANCE. WE NOTE, HOWEVER, ARIANA BASING TRAFFIC REVENUE GROWTH AT 5 PERCENT PER ANNUM, BUT ACTUAL GROWTH LAST THREE YEARS 9 PERCENT PER ANNUM. HE THEREFORE APPEARS TO BE MOVING TOWARDS INTERIM DECISION TO ACQUIRE USED BOEING 707-320C FOR PERIOD 1977 THROUGH 1980 OR 1981, AT WHICH TIME ARIANA WOULD ACQUIRE WIDE-BODIED AIRCRAFT. HOWEVER, GHAZI DOES APPEAR CONCERNED ABOUT 707-320C NOT BEING ABLE TO MEET FAR PAR 36 AND ICAO ANNEX 15, NOISE STANDARDS, AND ASKED US TO ASCERTAIN WHETHER OR NOT "HUSHKIT" MODIFICATIONS TO JT3D ENGINES WOULD BE AVAILABLE WITHIN NEXT SEVERAL YEARS. IN THIS REGARD, WE WOULD APPRECIATE DEPT ASCERTAINING FROM BOEING, PRATT-WHITNEY AND FAS WHEN SUCH MODIFICATION KITS TO JT3D LIKELY TO BECOME AVAILABLE. GHAZI ALSO ASKED WHETHER PROJECTED REFANNED PRATT AND WHITNEY JT8D 217 ENGINES COULD EVER CONCEIVABLY BE OFFERED BY BOEING AS ORIGINAL EQUIPMENT ON NEW BOEING 707-320C'S. GHAZI HAS ALREADY DISCUSSED POSSIBILITY ACQUIRING USED BOEING 707-320C WITH FIRST NATIONAL CITY BANK OFFICIAL.

3. PRIOR TO RCAA/EMBASSY MEETING WITH SULTAN GHAZI, BENNETT, MALIKYAR AND DATT INDICATED AIRLINE STUDYING FEASIBILITY ACQUIRING ONE WIDE-BODIED AIRCRAFT FOR DELIVERY SPRING 1977, WITH RATHER FIRM INDICATIONS THAT ARIANA WORKING LEVEL, INCLUDING COMPTROLLER, BELIEVES ACQUISITION CAN BE JUSTIFIED ON ECONOMIC GROUNDS. AIRCRAFT BEING EVALUATED ARE BOEING 747SP; MODONNEL-DOUGLAS DC 10-30; LOCKHEED L-1011 TRISTAR, AND POSSIBLY, AIRBUS INDUSTRIES A-300 BY. AIRLINE IN PROCESS PREARING RECOMMENDATIONS BY APRIL 30 TO SULTAN GHAZI AND BOARD OF DIRECTORS FOR DECISION ON WIDE-BODIED ACQUISITION. IF DECISION IS NEGATIVE, PLAN WOULD BE TO ACQUIRE USED BOEING 707-320C.

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IF DECISION IS AFFIRMATIVE, SELECTION OF AIRCRAFT TYPE WOULD BE MADE BEFORE END OF MAY WITH SIGNING OF LETTER OF INTENT SHORTLY THEREAFTER WITH SUCCESSFUL MANUFACTURER. THIS WOULD PRESERVE DESIRED DELIVERY DATE MAY, 1977.

4. INDICATIONS FROM WIDE-BODIED ACQUISITION CORRIDOR DATT POINT TO SELECTION PREFERENCE FOR DC-10-30, IF NEW INTERNATIONAL AIRPORT AT LOGAR CAN BE READY BY 1979 OR 1980. CONVERSELY, IF LOGAR DELAYED BEYOND 1980, AIRLINE PROBABLY WOULD PREFER 747SP. TRADE-OFF IS AS FOLLOWS:

747SP, SUPERIOR TAKE-OFF PERFORMANCE FROM PRESENT KABUL AIRPORT, PERMITTING UNCOMPROMISED PAYLOAD 79,000 LBS, NON-STOP TO LONDON WHERE DC-10-30 WITH CF6-50 ENGINES COULD OPERATE ONLY TO ISTANBUL WITH PAYLOAD OF 53,000 LBS.

DC-10-30, ADEQUATE TAKE-OFF PERFORMANCE OUT OF LOGAR, PERMITTING ONLY SLIGHTLY COMPROMISED PAYLOAD (61,000-70,000 LBS) NON-STOP TO LONDON, BUT AT SIGNIFICANTLY LOWER TON-MILE COSTS AND FUEL CONSUMPTION THAN 747SP.

5. AIRLINE HAS BEEN CONSISTENTLY PROFITABLE IN FY 73, 74 AND 75 (FISCAL YEAR ENDS MARCH), WITH LONG-TERM DEBT ON TWO 727-100C'S DOWN TO TWO MILLION DOLLARS. THE 720-030B ACQUIRED FROM PANAM WAS FULLY PAID OFF OVER A PERIOD OF 18 MONTHS. ACCORDING DATT, THE TWO SIGNIFICANT FACTORS DETERMINING WHICH WIDE-BODIED AIRCRAFT WOULD BE SELECTED DEPEND ON FOLLOWING:

A) AVAILABILITY OF FINANCING; WHETHER 12-YEAR TERMS OR MORATORIUM ON DEBT SERVICING FOR FIRST 24 MONTHS OF WIDE-BODIED AIRCRAFT SERVICE TO PRESERVE CASH FLOW INTEGRITY OF AIRLINE (THIS WOULD APPEAR TO PARTIALLY EASE SULTAN GHAZI'S MISGIVINGS CONCERNING WIDE-BODIED ACQUISITION AT THIS TIME).

B) TIMING OF LOGAR INTERNATIONAL AIRPORT COMMISSIONING. ALTHOUGH 747SP PAYLOAD/RANGE COMPROMISED MINIMALLY IN TAKEOFFS FROM EXISTING KABUL AIRPORT'S 9,000 FOOT RUNWAY, OPTIMUM DC-10-30 PAYLOAD/RANGE CAPABILITY GENERALLY WOULD REQUIRE TAKE-OFF FROM LOGAR'S PROJECTED 13,000 FOOT RUNWAY.

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6. ARIANA PERSONNEL STRENGTH APPROXIMATELY 680 WITH ELEVEN AFGHAN FLIGHT CREWS. SYSTEM LOAD FACTOR FISCAL YEAR ENDED MARCH 20, 1974 54 PERCENT, ESTIMATED AT 56 PERCENT FOR FISCAL YEAR ENDED MARCH 20, 1975. AIRLINE CURRENTLY OPERATES TO LONDON, FRANKFURT, ROME, BEIRUT, NEW DELHI, TEHRAN, DAMASCUS, AMRITSAR, TASHKENT AND ISTANBUL. FUTURE ROUTE EXPANSION TO KATHMANDU, DACCA, BANGKOK AND PEKING IS BEING STUDIED.

7. ACTION REQUESTED: WOULD APPRECIATE DEPARTMENT COMMENT ON AVAILABILITY USED BOEING 707-320C AND ESTIMATE OF COST WITH STANDARD AND WIDE-BODY INTERIOR. ALSO WOULD APPRECIATE RESPONSES TO QUESTIONS POSED PARA 2.

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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Disposition Reason:
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Margaret P. Grafeld
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